

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
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FM USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD, EIND, EEC

SUBJECT: EC RESPONSE TO US AIDE-MEMOIRE ON EC STEEL PLAN

REF: (A) STATE 7313, (B) EC BRUSSELS 490

1. EC COMMISSION WAS GIVEN MISSION AN AIDE-MMMOIRE
RESPONSE TO US AIDE-MEMOIRE OF JANUARY 14 ON THE SUBJECT OF
THE COMMUNITY'S COMMON STEEL POLICY. TEXT OF EC AIDE-MEMOIRE
FOLLOWS: QUOTE:

A. THE COMMISSION OF THE EUROPEAN COMMUNITIES HAS STUDIED
THE UNITED STATES' AIDE-MEMOIRE OF 14 JANUARY EXPRESSING CON-
CERN AT CERTAIN ASPECTS OF THE COMMUNITY'S COMMON STEEL
POLICY. THE COMMISSION WISHES TO DEVELOP THE POINTS OF
EXPLANATION ALREADY MADE TO THE USE AUTHORITIES DURING THE
CONSULTATIONS OF 2-3 DECEMBER 1976, IN THE BELIEF THAT THEY
OUGHT EFFECTIVELY TO DISPEL US CONCERNS.

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B. AS TO US CONCERN AT THE POSSIBLE CREATION OF
OPPORTUNITIES FOR THE DUMPING OF STEEL FROM THE
COMMUNITY IN THE US, THE COMMISSION NOTES THAT THE US
IS FULLY AWARE OF THE HYPOTHETICAL NATURE OF THIS CON-
CERN. IN REALITY, THE COMMUNITY'S POLICY IS NEITHER
INTENDED NOR EXPECTED TO CREATE SITUATIONS THAT WOULD

ENCOURAGE DUMPING. THE COMMUNITY'S MEASURES MAY INDIRECTLY AFFECT STEEL PRICES IN THE COMMUNITY, ENCOURAGING A RECOVERY FROM THE VERY LOW PRICES NOW PREVAILING, TO LEVELS THAT WILL COVER NOT ONLY VARIABLE COSTS, BUT ALSO INTEREST CHARGES AND AMORTIZATION OF INVESTMENTS (AN OBJECTIVE FOR STEEL POLICY PRESCRIBED BY THE TREATY OF PARIS , ART. 3(C)). HOWEVER, THE SAME ARTICLE OF THE TREATY ALSO REQUIRES THE COMMISSION TO ENSURE NORMAL SUPPLIES OF STEEL TO COMMUNITY CONSUMERS AT THE LOWEST PRACTICABLE PRICES, THUS PROHIBITING THE COMMISSION FROM CONFERRING ANY ARTIFICIAL ADVANTAGE ON THE STEEL -PRODUCING INDUSTRY. THERE IS NO GENERAL REASON TO SUPPOSE THAT THE STEEL PRICES OF THE EUROPEAN PRODUCERS WOULD BE HIGHER IN THE EC THAN IN THE US. INDEED, THE COMMUNITY'S SYSTEM REMAINS OPEN TO FOREIGN COMPETITION, SINCE COMMUNITY PRODUCERS ARE PERMITTED (UNDER ART. 60 OF THE TREATY) TO ALIGN THEIR PRICES ON THE LOWEST FOREIGN COMPETITION. THUS OUR PRICES WILL CONTINUE TO MATCH THE WORLD LEVEL, NOT RISE ABOVE IT.

C. THE COMMUNITY HAS NEVER BEEN THE PRICE LEADER IN THE US MARKET, AND DOES NOT SEEK TO UNDERCUT US PRICES BY THESE OR OTHER MEASURES. ON THE CONTRARY, IN THE RECENT CRISIS, OUR INDUSTRY HAS CHOSEN NOT TO FOLLOW THE JAPANESE PRICES DOWN, AND HAS IN CONSEQUENCE LOST A LARGE PART OF ITS MARKET IN THE US. IN THIS RESPECT THE US AND THE COMMUNITY'S STEEL INDUSTRIES HAVE A COMMON INTEREST IN KEEPING PRICES AT A LEVEL WHERE FULL LIMITED OFFICIAL USE

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PRODUCTION COST IS COVERED, IF THE US PRICE LEVEL IS BEING UNDERMINED BY THIRD PARTIES, IT IS FOR THE US AUTHORITIES TO TAKE THE APPROPRIATE ANTI-DUMPING ACTION.

D. AS TO US CONCERN OVER POSSIBLE TRADE DIVERSION FROM THE EC TO THE US MARKET, THIS SEEMS TO BE BASED ON THE ASSUMPTION THAT THIRD- COUNTRY PRODUCERS HAVE FIXED AMOUNTS FOR EXPORT, REGARDLESS OF THE STATE OF WORLD DEMAND. IN THE COMMISSION'S VIEW, THE PROBLEMS OF WORLD STEEL TRADE CANNOT BE DIVORCED FROM QUESTIONS OF PRODUCTION AND DOMESTIC CONSUMPTION PATTERNS. IN THE COMMUNITY, STEEL PRODUCERS HAVE ACCEPTED SUBSTANTIAL SACRIFICES IN ORDER TO ADAPT PRODUCTION TO THE DEPRESSED CONDITION OF THE MARKET IN AND OUTSIDE THE COMMUNITY. THE COMMISSION HOLDS THE OPINION THAT ALL STEEL EXPORTING COUNTRIES SHOULD, IN VIEW OF THE DEPRESSED LEVEL OF STEEL DEMAND, MAKE REDUCTIONS IN THE LEVEL OF THEIR STEEL PRODUCTION, INSTEAD OF INCREASING THEIR EXPORTS AND THUS CREATING DIFFICULTIES

IN OTHER COUNTRIES. THE COMMUNITY'S RESPONSIBLE AND MODERATE ATTITUDE DOES NOT LEAD TO DISTORTION OF INTERNATIONAL TRADE, AS WOULD THOROUGH-GOING SAFEGUARD MEASURES LIKE THOSE ADOPTED BY THE US IN THE SPECIALITY STEEL CASE.

E. AS TO THE DESIRABILITY OF INTERNATIONAL CONSULTATIONS ON THE EVOLUTION OF STEEL TRADE, THE COMMISSION HAS ALREADY DEMONSTRATED ITS WILLINGNESS TO USE THE ESTABLISHED ORGANS OF THE INTERNATIONAL TRADING SYSTEM. IT DOES NOT HOWEVER SHARE THE VIEW IMPLICIT IN THE US AIDE-MEMOIRE THAT BILATERAL CONSULTATIONS ARE SOMEHOW INIMICAL TO A MULTILATERAL TREATMENT OF THE PROBLEM. INDEED THE COMMISSION WOULD REGARD BILATERAL AND PERHAPS TRILATERAL DISCUSSIONS AS A NECESSARY AND INEVITABLE PART OF ANY EFFORT TO DEAL MORE BROADLY WITH THE PROBLEMS OF THE INTERNATIONAL STEEL TRADE.
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BRUSSELS, 22 FEB. 1977. END QUOTE MORRIS

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Message Attributes

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